

Message Text

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22

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

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FM AMEMBASSY MADRID

TO SECSTATE WASHDC 6698

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E.O. 11652: N/A

TAGS: ETRD, SP

SUBJECT: NONRUBBER FOOTWEAR, BOTTLED OLIVES-COUNTERVAILING DUTY
INVESTIGATION

REF: STATE 131357, 161782, MADRID 5285

1. SUMMARY. FOREIGN MINISTRY CALLED EMBOFFS IN
TO PRESENT NOTE REPLYING TO QUESTIONNAIRE ON SUBSIDIES TO
EXPORTS OF SHOES AND OLIVES AND TO LECTURE US ON U.S.
POLICY TOWARD SPANISH EXPORTS, A POLICY THAT THEY EMPHASIZED
WENT COMPLETELY COUNTER TO SPIRIT OF ECONOMIC PORTION OF
TREATY OF FRIENDSHIP AND COOPERATION. GOS WANTS ALL SUCH
TRADE MATTERS DISCUSSED IN MEETING OF JOINT SPANISH-U.S.
ECONOMIC COMMITTEE ESTABLISHED UNDER TREATY OF FRIENDSHIP
AND REQUESTS THAT COMMITTEE BE CONVENED DURING 1976. FULL
TEXT OF GOS REPLY TOGETHER WITH EMBASSY TRANSLATION BEING
FORWARDED BY AIRGRAM. END SUMMARY.

2. MFA'S NOTE VERBALE NO. 297 REPLYING TO EMBASSY'S NOTE 416
OF JUNE 8 ARGUES STRONGLY THAT NONE OF THE EXISTING EXPORT
PROMOTION INCENTIVES HAS MATERIALLY IMPROBED SPAIN'S EXPORTS
OF SHOES OR OLIVES TO US, THAT FEW IN FACT ARE EVER
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UTILIZED BY SPANISH SHOE OR OLIVE EXPORTERS, AND THAT NONE OF

THE VARIOUS GOS MINISTERIAL ORDERS SPECIFICALLY LISTED IN OUR INQUIRY IS PARTICULARLY RELEVANT. GOS NOTE REQUESTS THAT EMBASSY INFORM TREASURY OF "DESIRE OF SPANISH AUTHORITIES THAT TREASURY RESTRICT TO THE UTMOST ITS PRESENT PRACTICE OF OPENING INVESTIGATIONS AND REQUESTING COMPLETION OF COMPLICATED QUESTIONNAIRES, UNLESS IT CAN BE... DEMONSTRATED THAT SPANISH EXPORTS IN QUESTION RECEIVE EXCESSIVE FACILITIES FROM THE SPANISH GOVERNMENT..." NOTE STATES FURTHER THAT "AFTER EXAMINING THE 22 DECREES, ORDERS, AND OTHER REGULATIONS (LISTED IN OUR NOTE)... IT BECOMES CLEAR THAT THIS QUESTIONNAIRE HAS APPROACHED IN A VERY GENERAL WAY A SYSTEM OF INDIRECT MEASURES WHICH IN MANY CASES IS INAPPLICABLE TO THE SHOE OR OLIVE EXPORTING INDUSTRIES..."

3. NOTE FURTHER STATES GOS CONCERN OVER THE "INCREASING PROTECTION REQUESTED BY THE US PRIVATE SECTOR FROM THE DEPARTMENT OF TREASURY AGAINST EXPORTS FROM SPAIN" AND SAYS GOS "WITNESSES TO EMPHASIZE ITS DESIRE THAT NO SUCH RESTRICTIVE PRACTICES BE ADOPTED WITHOUT THE MATTER BEING FIRST STUDIED WITHIN THE JOINT SPANISH-US ECONOMIC COMMITTEE", WHICH, ACCORDING TO NOTE, THE GOS IN ANY CASE WANTS TO SEE CONVENED THIS YEAR.

4. DEPUTY DIRECTOR GENERAL IN ECONOMIC SECTION OF MFA REITERATED TO EMBASSY JULY 31 THE SUBSTANCE OF GOS NOTE, EMPHASIZING THAT EXAMINATION OF ALL THE VARIOUS POINTS WE RAISED FAILED TO SHOW ANY WAY IN WHICH SPANISH EXPORTERS WERE GETTING ANYTHING MORE THAN INSIGNIFICANT HELP FROM VARIOUS GOS EXPORT INCENTIVES. HE STRESSED THE TREMENDOUS AMOUNT OF WORK A QUESTIONNAIRE SUCH AS WE PRESENTED INVOLVED FOR VARIOUS SPANISH MINISTRIES AND SAID GOS FELT THAT IN FUTURE IT SHOULD BE UP TO US TO SAY SPECIFICALLY WHAT BOUNTIES OR GRANTS ARE BEING PAID TO SPANISH EXPORTERS. HE SAID THAT THE WAY THE PRESENT APPROACH WAS MADE IMPLIED SPAIN WAS "GUILTY" UNTIL IT COULD PROVE ITSELF "INNOCENT" AND THAT IN THE FUTURE THE BURDEN OF PROOF SHOULD BE WITH US.

5. EMBASSY COMMENT: GOS REPLY TO OUR INQUIRY MAY OR MAY NOT BE RIGHT IN CONCLUDING THAT ANY BENEFITS BEING RECEIVED BY SHOE AND OLIVE EXPORTERS ARE COMPLETELY LIMITED OFFICIAL USE

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INSIGNIFICANT; THERE IS NOT ENOUGH DETAIL AVAILABLE TO THE EMBASSY TO JUDGE WHETHER SPANISH ARGUMENT IS CORRECT. WE HAVE POINTED OUT TO THE MFA THAT THE US TREASURY IS UNDER OBLIGATION TO INVESTIGATE ALLEGATIONS MADE BY US INDUSTRY, AND THAT IN THE ABSENCE OF INFORMATION FROM THE GOS, TREASURY WOULD BE FORCED TO RELY ON DATA SUPPLIED BY THE AMERICAN SHOE AND OLIVE BOTTLING INDUSTRIES. HOWEVER, THE GOS HAS EXPRESSED A STRONG DESIRE FOR MORE

SPECIFIC INFORMATION AS TO WHAT THE ALLEGATIONS ARE. IN THIS CASE, AFTER LENGTHY RESEARCH THE GOS HAS CONCLUDED THAT THE US INDUSTRY IS SHOOTING IN THE DARK, AND IT HAS URGED THAT IT NOT BE ASKED TO USE ITS LIMITED RESOURCES TO UNDERTAKE LENGTHY RESEARCH TO REPLY TO WHAT IT CONSIDERS IMPRECISE ALLEGATIONS. WHILE WE RECOGNIZE THAT THE TREASURY IS OBLIGATED BY LAW TO CONDUCT AN INVESTIGATION WHEN US INDUSTRY ALLEGES THAT FOREIGN GOVERNMENTS ARE MAKING PAYMENTS WHICH CONSTITUTE BOUNTIES OR GRANTS TO EXPORTERS, THE GOS IS BECOMING INCREASINGLY FRUSTRATED AND IRRITATED OVER THE BURDEN PLACED ON ITS MINISTRIES TO CHECK OUT GENERAL ALLEGATIONS MADE BY AN INCREASING NUMBER OF US INDUSTRIES. TO ENCOURAGE SPANISH COOPERATION ON POSSIBLE FUTURE INQUIRIES, IT WOULD BE HELPFUL IF WE COULD BE MORE SPECIFIC BY PROVIDING THE GOS ALL INFORMATION CONTAINED IN THE PETITION FILED BY US INDUSTRY.

6. REGARDING THE GOS REQUEST THAT THE JOINT SPANISH-US ECONOMIC COMMITTEE BE CONVENED BEFORE THE END OF THE YEAR, WE SEE A CERTAIN LOGIC AND DESIRABILITY IN HAVING THE COMMITTEE MEET AT THE ASSISTANT SECRETARY LEVEL DURING EARLY MONTHS OF LIFE OF THE TREATY OF FRIENDSHIP AND COOPERATION. THE COMMITTEE MEETING COULD BE HELD SOMETIME AFTER THE FIRST COUNCIL MEETING, AND PREFERABLY IN MADRID. TO PREVENT SUCH A MEETING FROM BEING CONCERNED ONLY WITH A BILATERAL PROBLEM AREA AND THEREFORE NEGATIVE IN TONE, BROADER ISSUES OF INTERNATIONAL ECONOMIC COOPERATION, E.G., CIEC AND MTN, COULD ALSO BE DISCUSSED. STABLER

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